

**APPLICATION OF
ACCESS POINT, INC.**

EXHIBIT III

Financial Statements

Balance Sheet

Access Point, Inc.
Balance Sheet
As of December 31, 2007

03/24/08

DRAFT

| | <u>2007</u> <u>December</u> |
|--------------------------------|--------------------------------|
| ASSETS | |
| Current Assets | |
| Cash | 269,694 |
| Accounts Receivable | 2,305,909 |
| Allowance for Bad Debt | (163,186) |
| Accounts Receivable-CABS, net | 375,097 |
| Inventory | 138,817 |
| UnBilled Revenue | 184,410 |
| Prepaid Expenses | 84,620 |
| | ----- |
| Total Current Assets | 3,195,361 |
| Property and Equipment | |
| Property and Equipment | 2,240,476 |
| Accumulated Depreciation | (1,697,288) |
| | ----- |
| Total Property and Equip. | 543,188 |
| Other Assets | |
| Security Deposits | 449,801 |
| VZ Contract Agreement | 107,502 |
| | ----- |
| Total Other Assets | 557,303 |
| | ----- |
| TOTAL ASSETS | 4,295,852 ===== |
| LIABILITIES AND CAPITAL | |
| Current Liabilities | |
| Accounts Payable | 1,777,082 |
| Accrued Cost of Calls | 160,759 |
| Sales Tax Payable | 399,054 |
| Unearned Revenue | 798,925 |
| Notes Payable - Accord | 2,219,217 |
| Leased Equipment Obligation | 26,684 |
| Other Current Liabilities | 158,984 |
| | ----- |
| Total Current Liabilities | 5,540,705 |
| Long-Term Liabilities | |
| Leased Equipment Obligation | 8,129 |
| Deferred Rent Obligation | 9,795 |
| | ----- |
| Total Long-Term Liabilities | 17,924 |

TOTAL LIABILITIES

5,558,629**Capital**

Common Stock (.01Par)

1,092

Preferred Stock (.01Par)

6,415,008

Contribution In Excess

13,692,105

Retained Earnings

(19,164,494)

Accrued Dividends - Preferred Stock

(1,832,801)

Net Profit/(Loss)

(373,687)

TOTAL CAPITAL

(1,262,777)**TOTAL LIABILITIES & CAPITAL**

4,295,852

Access Point, Inc.
Income Statement
For the Month Ending December 30, 2007

03/14/08

DRAFT

| | YTD |
|--|-------------------|
| REVENUE | |
| Switched Usage | 3,501,979 |
| Dedicated Usage | 1,073,002 |
| Travel Card | 33,908 |
| Late Fees | 150,552 |
| Service Charges | 591,067 |
| Sales Credits | (176,040) |
| Local Service | 10,643,903 |
| Local Toll | 905,408 |
| Dedicated Access | 2,355,360 |
| CABS | 2,377,754 |
| Other Services | 2,466,181 |
| Total Revenue | 23,923,074 |
| Cost of Sales | |
| Switched Usage | 1,707,393 |
| Dedicated Usage | 589,157 |
| Travel Card | 17,739 |
| Local Service - Resale | 809,009 |
| Local Service - UNE | 6,354,669 |
| Local Toll | 637,784 |
| Other Charges | 2,044,929 |
| Dedicated Access | 2,683,213 |
| Indirect Commissions | 2,273,193 |
| Total Cost of Sales | 17,117,086 |
| GROSS PROFIT | 6,805,988 |
| EXPENSES | |
| Salaries | 3,790,855 |
| Sales Commissions | 149,783 |
| Payroll Taxes | 321,122 |
| Employee Benefits | 311,884 |
| Recruiting and Want Ads | 2,865 |
| Billing Support Services | 491,570 |
| Bad Debt | 195,004 |
| Advertising/Trade Shows | 70,469 |
| Training | 6,282 |
| Rent | 389,620 |
| Telephone | 151,726 |
| Office Supplies & Services | 48,259 |
| Corporate Insurance | 71,913 |
| Taxes and Licenses | 101,517 |
| Professional Fees | 191,788 |
| Postage | 21,105 |
| Repairs & Maintenance | 35,368 |
| Travel & Entertainment | 117,575 |
| Bank/Finance Charges | 85,027 |
| Miscellaneous | 44,780 |
| Total Expenses | 6,598,512 |
| EARNING BEFORE INTEREST & DEPR. | 207,476 |
| Depreciation & Amortization Exp | 222,448 |
| Interest Exp./ (Inc.), Net | 394,204 |
| Other (Income) Expense | (49) |
| Total Depr. & Interest | 616,603 |
| NET INCOME/(LOSS) | (409,127) |
| | ===== |

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Access Point, Inc.:

We have audited the accompanying balance sheets of **Access Point, Inc.** (a North Carolina corporation and a majority-owned subsidiary of Access Point Communications, Inc.) as of December 31, 2006 and 2005, and the related statements of operations, changes in shareholders' (deficit) equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access Point, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Raleigh, North Carolina
May 3, 2007

Access Point, Inc.

Balance Sheets

December 31, 2006 and 2005

| | <u>Assets</u> | <u>2006</u> | <u>2005</u> |
|--|--|---------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | | \$ 302,138 | \$ 638,732 |
| Accounts receivable, net of allowance for doubtful accounts of \$612,139 and \$563,971, respectively | | 2,434,910 | 2,448,036 |
| Inventory | | 99,375 | 62,734 |
| Unbilled receivables | | 263,853 | 330,819 |
| Prepaid expenses | | 89,796 | 99,473 |
| Total current assets | | 3,190,072 | 3,579,794 |
| Property and equipment, net | | 568,971 | 686,525 |
| Deposits | | 424,856 | 288,186 |
| | | <u>\$ 4,183,899</u> | <u>\$ 4,554,505</u> |
| | <u>Liabilities and Shareholders' Deficit</u> | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 1,736,483 | \$ 1,519,353 |
| Accrued expenses | | 866,286 | 1,103,523 |
| Current portion of capital lease obligation | | 61,723 | 47,576 |
| Notes payable | | 1,755,557 | 1,473,159 |
| Deferred revenue | | 587,190 | 539,926 |
| Total current liabilities | | 5,007,239 | 4,683,537 |
| Capital lease obligation, net of current portion | | 32,503 | 76,861 |
| Deferred rent | | 33,248 | 42,311 |
| Total liabilities | | <u>5,072,990</u> | <u>4,802,709</u> |
| Commitments and contingencies (Note G) | | | |
| Shareholders' deficit: | | | |
| Common stock, \$.01 par value; 1,000,000 shares authorized, 109,220 shares issued and outstanding | | 1,092 | 1,092 |
| Preferred stock, \$.01 par value; 1,000,000 shares authorized, 20,313 shares issued and outstanding | | 6,415,007 | 6,109,708 |
| Additional paid-in capital | | 13,692,104 | 13,692,104 |
| Accumulated deficit | | (20,997,294) | (20,051,108) |
| Total shareholders' deficit | | <u>(889,091)</u> | <u>(248,204)</u> |
| | | <u>\$ 4,183,899</u> | <u>\$ 4,554,505</u> |

The accompanying notes are an integral part of these financial statements.

Access Point, Inc.

Statements of Operations

For the Years Ended December 31, 2006 and 2005

| | 2006 | 2005 |
|-------------------------------------|--------------|----------------|
| Sales | \$23,249,130 | \$24,645,068 |
| Cost of sales | 16,329,344 | 16,815,172 |
| Gross margin | 6,919,786 | 7,829,896 |
| Operating expenses: | | |
| Selling, general and administrative | 6,989,277 | 8,171,553 |
| Depreciation and amortization | 267,224 | 784,226 |
| Total operating expenses | 7,256,501 | 8,955,779 |
| Loss from operations | (336,715) | (1,125,883) |
| Other income and expense: | | |
| Interest income | 8,215 | 26,534 |
| Interest expense | (312,387) | (131,282) |
| Total other expense | (304,172) | (104,748) |
| Net loss | \$ (640,887) | \$ (1,230,631) |

The accompanying notes are an integral part of these financial statements.

Access Point, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

| | 2006 | 2005 |
|--|--------------------------|--------------------------|
| Cash flows used in operating activities: | | |
| Net loss | \$(640,887) | \$(1,230,631) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 267,224 | 784,226 |
| Provision for doubtful accounts | 48,168 | 249,395 |
| (Decrease) increase in deferred rent | (9,063) | 42,311 |
| Adjustments in operating assets and liabilities: | | |
| Increase in accounts receivable | (35,042) | (284,244) |
| Increase in inventory | (36,641) | (62,734) |
| Decrease (increase) in prepaid expenses | 9,677 | (26,727) |
| Decrease in long-term deposits and unbilled receivables | (69,704) | 20,553 |
| (Decrease) increase in accounts payable, accrued expenses and other liabilities | (20,107) | 381,880 |
| Increase in deferred revenue | 47,263 | 35,869 |
| Net cash used in operating activities | <u>(439,112)</u> | <u>(90,102)</u> |
| Cash flows used in investing activities – Purchases of property and equipment | <u>(129,803)</u> | <u>(397,828)</u> |
| Cash flows provided by financing activities: | | |
| Net borrowings of note payable | 282,399 | 649,064 |
| Repayments of capital leases | (50,078) | 0 |
| Repayments of note payable | 0 | (99,699) |
| Net cash provided by financing activities | <u>232,321</u> | <u>549,365</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(336,594)</u> | <u>61,435</u> |
| Cash and cash equivalents, beginning of year | <u>638,732</u> | <u>577,297</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 302,138</u></u> | <u><u>\$ 638,732</u></u> |
| Supplemental disclosures of cash and noncash information: | | |
| Cash paid during the year for interest | \$ 312,386 | \$ 131,282 |
| Assets acquired with capital lease | 19,867 | 124,437 |
| Accrual of dividends on preferred stock | <u>305,299</u> | <u>366,560</u> |

The accompanying notes are an integral part of these financial statements.